Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Developing a Unified Intercarrier	)	**CC Docket No. 01-92**
Compensation Regime	)	

<u>REPLY COMMENTS OF CINCINNATI BELL INC.</u>

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SUMMARY

Cincinnati Bell Inc. (CBI) supports changes to the intercarrier compensation system that will add uniformity to the rates, while not simultaneously increasing the complexity of the system and significantly increasing the demands on the universal service fund. Thus far, no single plan has emerged which responsibly accomplishes this task.

There is no widespread support for any plan in its entirety. Furthermore, none of the plans can be thoroughly analyzed because they have not been fully developed, are lacking sufficient detail, or are too complex to allow for proper analysis at this point in time. CBI recommends that before the Commission overhauls the entire intercarrier compensation system, it allow parties the opportunity to refine their plans and request that all plans presented be accompanied by a model that can be used by regulators and interested parties to assess the impact of the plans on carriers and consumers.

CBI supports the concept of a unified rate for the same or similar network functions, however, it doubts that the zero rate imposed under bill and keep would be appropriate for all carriers. CBI is concerned that small and mid-size carriers would be particularly disadvantaged by a bill and keep solution. On the other hand, the capacity-based proposals, and other plans that would necessitate state rate proceedings to set the rates for individual carriers, will not advance the concept of a unified intercarrier compensation rate.

Regardless of the ultimate rate and structure of a new regime, CBI submits that carriers must be given the opportunity to recover any net reductions imposed by the new regime and that the ILECs' carrier of last resort obligations must not be overlooked when

designing the new system. CBI recommends that any new plan should rely foremost on SLC increases, coupled with benchmarks to ensure comparability of rates between urban and rural areas, before further taxing the universal service fund. In addition, SLC pricing flexibility is crucial in order to enable LECs to fairly and effectively compete and ensure that ILECs have the opportunity to recover their lost intercarrier revenue.

Finally, in order to avoid creating a new regime that is replete with arbitrage opportunities, the Commission should strive for a system that is simple, without carve outs for special interests and that does not try to influence behavior in an attempt to encourage investment in one type of technology over another. Furthermore, the Commission should avoid solutions that require carriers to significantly reconfigure their networks or to undertake massive changes to billing systems.

During the interim period until a new regime is established, the Commission should promptly take action to ensure that all users of the PSTN properly pay for their use of the network as required under the existing rules. This can be accomplished by: (1) clarifying that interstate VoIP calls terminated on the PSTN are subject to access charges; (2) clarifying that traffic that originates and terminates in different calling areas is interexchange traffic, regardless of what numbers are assigned to the end points; (3) moving ISP-bound traffic to bill and keep immediately; and (4) adopting truth-in-labeling guidelines to ensure that all traffic terminating on the PSTN can be properly measured and billed.

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On May 23, 2005 Cincinnati Bell Inc. (CBI) and approximately 100 other parties filed comments on the Commission's Further Notice of Proposed Rulemaking (FNPRM) in this proceeding. After reviewing the comments, CBI, a small, integrated communications provider which provides local, long distance, wireless, broadband and Internet access service in southwestern Ohio, northern Kentucky, and southeastern Indiana, offers these Reply Comments in response to some of the issues raised by other parties in the comments. In addition, because several parties have put new proposals into the record or have more fully developed previously introduced proposals, CBI also more fully examines various aspects of the reform plans that have been presented to the Commission in this proceeding.

I. Introduction

In the FNPRM the Commission sought comment on proposals submitted by several parties.[1] In their comments, several other parties submitted proposals or refined previously filed principles into more concrete plans. Specifically, new proposals were

[1] Proposals from the following parties were explored in the FNPRM: the Intercarrier Compensation Forum (ICF), the Expanded Portland Group (EPG), the Alliance for Rational Intercarrier Compensation (ARIC), the Cost-Based Intercarrier Compensation Coalition (CBICC), Home Telephone Company/PBT Telecom (Home/PBT), Western Wireless, and the National Association of Utility Consumer Advocates (NASUCA).

submitted by BellSouth, Qwest, and Frontier, while CTIA – The Wireless Association (CTIA) and the National Association of Regulatory Utility Commissioners (NARUC) developed their previously submitted principles into more specific proposals. Most other parties did not submit specific proposals, but instead outlined principles they believe should be reflected in any new plan and commented on various aspects of the previously filed plans that they felt were consistent or inconsistent with these principles.

II. No Generally Supported Plan Has Emerged

While the principles espoused by most parties are strikingly similar, the parties' interpretations of which plans satisfy those principles are often quite different. For example, NARUC, ICF, Frontier and BellSouth all agree that in order to promote economic efficiency a plan must be technologically and competitively neutral, eliminate arbitrage and provide rational price signals.[2] However, all four parties present very different plans and each explains why its plan satisfies this principle while others do not.

NARUC, Frontier and BellSouth all agree that the ICF plan is not technologically and competitively neutral, may not eliminate arbitrage, and does not send rational price signals, yet they each present completely different solutions to address what they claim is lacking in the ICF plan. Specifically, NARUC calls for a positive termination minutes of use (MOU) rate based on forward-looking costs transitioning to a capacity-based regime and a very limited and/or heavily regulated ability for ILECs to raise end-user rates to recover lost revenue; Frontier recommends a capacity-based regime with little or no regulatory oversight and a substantial replacement revenue fund; and BellSouth seeks to

[2] See, NARUC at pp. 6-7, ICF at pp. 10-16, Frontier at pp. 4-9, BellSouth at pp. 1-5. (Unless otherwise noted, all references are to comments filed by parties in this proceeding on May 23, 2005.)

maintain a MOU terminating rate structure with significantly reduced rates while offsetting the lost revenue through end-user charges over which carriers would have substantial pricing flexibility. Thus, even where parties agree on what does not work, they cannot agree on how to fix the deficiency. Presumably, these parties would conclude that none of the alternatives besides their own would satisfy the stated principles.

This is just one example of the divergent views offered on the best way to "fix" the intercarrier compensation problem. There are also various opinions on how "broken" the existing system is. While virtually everyone agrees that the current system has problems that must be fixed, some parties, like ICF, contend that the existing system cannot be fixed and must be replaced with an entirely new system. On the other hand, SureWest, for example, suggests that the system is not necessarily broken beyond repair.[3] SureWest and others suggest that the system can be fixed, at least in the short term, by simply mending its wounds by eliminating the ESP exemption, eliminating the "phantom traffic" problem via implementation of "truth in labeling" guidelines, and addressing the abuses associated with the use of "virtual NXX" codes.[4]

These are just a few examples of the lack of consensus around any specific plan. Although there are a few specific components of some plans that receive fairly widespread support,[5] no plan is supported in its entirety by more than a few parties. The ICF plan as a whole receives little support from anyone other than the members of the

[3] SureWest at p. 3, 21.
[4] SureWest at p. 23, CenturyTel at pp. 4-8, Rural Alliance at pp. 107-111, Cincinnati Bell at p. 4, Qwest at pp. 44-49.
[5] The component that appears to be supported by the majority of parties is that any new unified intercarrier compensation plan should serve as a default regime and carriers, including ILECs, should be allowed to negotiate alternative interconnection agreements.

Forum. Although some other parties are supportive of a bill and keep plan, they find fault with the various aspects of the ICF plan and offer their own versions of bill and keep.[6] The rural carriers seem to have rallied around a capacity-based system; however, they are not necessarily supporting a single approach to capacity-based pricing.[7] The non-ICF RBOCs each have a different perspective on reform and have not coalesced around a single approach. BellSouth recommends a simple solution that retains terminating MOU rates at significantly reduced levels, Qwest offers a bill and keep solution with the possibility of a terminating MOU rate, and Verizon's solution appears to be total deregulation of the intercarrier compensation system.

CBI observes that many of the plans offered have not been fully developed and/or are lacking in sufficient detail to adequately assess their impact. CBI particularly finds this to be true with the capacity-based proposals. On the other hand, the ICF plan is so complex that it is impossible for anyone who is not a member of the Forum to understand and even attempt to assess its impact. Given the lack of depth of many proposals, the complexity of others and the lack of support for any single plan, CBI recommends that the Commission move slowly in implementing any overhaul of the intercarrier compensation system. Parties that have offered proposals should be given the opportunity to refine their plans and the Commission should consider sponsoring workshops in which the authors of the plans can present them to other parties so that everyone has the opportunity to understand how the proposed new system would work. The Commission should also require that any plan presented be accompanied by a model

[6] See, Qwest and CTIA.
[7] The rural carriers variously support components of the EPG plan, the ARIC plan, and the Home/PBT plan.

that can be used by the Commission and interested parties to assess the impact of the plan on carriers and consumers. After the workshops have concluded, the refined proposals should be put out for comment again. During the interim period, the Commission should, at a minimum, take prompt action to close some of the loopholes that have resulted in the most egregious problems with the existing system thereby ensuring that all carriers pay for their use of another carrier's network at the rates that are properly charged under the existing rules.

In the remainder of these reply comments, CBI offers its perspective on some of the components of the plans entered into the record thus far.

III. Unified Rates

All of the plans call for a "unified" rate, however, there are various interpretations of "unified." Under some proposals, "unified" means a single uniform nationwide rate for all carriers for the same or similar functions. For example, under the ICF and CTIA bill and keep proposals, the unified nationwide rate is zero. Alternatively, Frontier proposes uniform nationwide port rates developed from a proxy per minute nationwide termination rate of $0.002,[8] while BellSouth suggests a nationwide tandem rate of $0.0025 per terminating MOU and an end office rate of $0.00125 per terminating MOU based on its average reciprocal compensation levels that it contends reflect both urban and rural characteristics found nationwide.[9] Although NARUC also recommends unified national MOU termination charges, it proposes different rates based on the number of lines in a wire center rather than a single rate. As opposed to the aforementioned

[8] Frontier Appendix at p. 9.
[9] BellSouth at p. 27.

proposals which recommend uniform nationwide rates, other plans, such as the ARIC, CBICC, EPG and Home/PBT would set a single or unified rate per carrier for the same function based on the individual carrier's costs.

CBI agrees that any new intercarrier compensation regime must provide for a unified rate for the same or similar network functions and that rates should not vary based on the type or classification of the traffic utilizing that functionality. Although the proposals currently before the Commission attempt to craft new systems that include this uniformity, CBI believes that the proposals presently before the Commission have some inherent problems. Outlined below are some of CBI's concerns about the unified rates proposed by some parties:

ICF, CTIA, Qwest

As many parties have indicated in their critiques of the bill and keep proposals, to the extent that switching costs still contain traffic sensitive costs, and traffic flows between interconnected carriers are not balanced, bill and keep does not send rational price signals and may create incentives for carriers to overuse the networks of other carriers.[10] CBI believes that small and mid-size ILECs in particular will be disadvantaged by a bill and keep regime. These carriers, which generally have higher costs than the large ILECs due to the more rural nature of the areas they serve and/or the lack of economies of scale and scope, will be forced to absorb the costs imposed on their networks by other carriers, with limited opportunity for recovery of these costs from their end users. As CenturyTel observes, if these proposals stimulate usage of the ILECs'

[10] CenturyTel at p. 23; Rural Alliance at pp. 32-34, 50-55; Comporium at pp. 5-6; Time Warner Telecom at p. 18; BellSouth at pp. 10-11, 22-26; Verizon at pp. 22-23.

networks, increasing ILECs' costs without any reasonable assurance that those costs will be recovered, it may dampen investment in ILEC networks which will in turn threaten the ability of ILECs to serve as the COLR.[11] Furthermore, as CBI pointed out in its comments, these small and mid-size carriers will not have the benefit of the offsetting reductions in access rates that will accrue to the large integrated LECs/IXCs.[12] Although these proposals all allow carriers to negotiate alternative agreements, the small and mid-size carriers simply do not have the bargaining power that the larger carriers possess to reach an acceptable alternative. Therefore, the smaller carriers, who are probably the most negatively impacted by a bill and keep solution, will be forced to accept it while larger carriers will able to negotiate more favorable agreements.[13]

Even with a sizable universal service fund (which CBI opposes), CBI is not convinced that bill and keep would work for all carriers. However, of the bill and keep proposals offered, Qwest's appears to be the most practical since it appears to avoid much of the complexity of the ICF plan and, through the benchmark component of the plan, it provides an opportunity for ILECs to recover their lost net revenue while avoiding reliance on USF.

BellSouth

Although CBI believes that the BellSouth plan has much to be commended, CBI believes that a more thorough review of carriers' rates would be appropriate rather than using rates solely from a single carrier (i.e., BellSouth). Such a review might very well show that a single rate for all carriers is not appropriate. CBI recommends that an

[11] CenturyTel at pp. 16-18, 31.
[12] Also see, Rural Alliance at p. 113.
[13] Rural Alliance at p. 116.

approach similar to the CALLS plan, which set different rates for the large price cap carriers versus the smaller carriers, would be more appropriate, but would still satisfy the spirit of the unified nationwide rate concept. In this case, CBI recommends that a comparison be done of the rates of the large price cap ILECs, the smaller price cap ILECs, the rate of return carriers that participate in the NECA pool, and the non-pooling carriers to determine if a single rate is in fact appropriate or whether carriers should be classified into perhaps three or four separate categories for establishing an appropriate rate(s).

NARUC

NARUC does not explain how it arrived at the termination rates it has proposed other than to say they are "reasonable approximations of the rates that meet the Section 252(d)(2) standard of 'additional costs of terminating such calls.'"[14] NARUC offers these rates as the default rate if carriers cannot reach agreement on negotiated rates and do not want to proceed with individual state proceedings to set the rate. This approach would disadvantage smaller carriers who have little clout in negotiating agreements with large interconnecting carriers and do not have the resources to engage in protracted rate proceedings. As a result, these smaller carriers essentially would be forced to accept the default rates, which may be inappropriate for these smaller carriers that typically have higher costs than the larger carriers. Another drawback of this approach is its inherent lack of uniformity, since some rates will be set via state rate proceedings, some via negotiation, and some using the default rates which vary by wire center.

[14] NARUC Appendix C at p. 4.

Rural Alliance, ARIC, CBICC

In spite of the fact that the Rural Alliance and ARIC propose rates based on embedded cost while the CBICC advocates TELRIC-based rates for termination, they each propose that the rates vary by individual carrier and that state rate proceedings be used to set these rates. Despite CBICC's claim that TELRIC rates are already determined, that is not true for the majority of companies. Any proposal that entails state rate proceedings will take years to implement, as evidenced by the state TELRIC proceedings that have occurred, and as a result, these proposals would undermine the concept of a unified intercarrier compensation regime by continuing the application of the multitude of rates for the foreseeable future. It will also add to the equation the uncertainty of what the final rates will be at the conclusion of the protracted rate-setting process and subsequent appeals. In addition, CBI questions whether the state commissions can handle that many simultaneous rate proceedings. Finally, even if rates were eventually finalized, there would be no consistency among states, even across the same company. This approach would hardly result in "unified" rates.

IV. Capacity-Based Proposals

Capacity-based proposals received fairly widespread support from the rural carriers. In addition, NARUC and NASUCA also indicate that a long-term transition to capacity-based rates may be appropriate.[15] Although CBI does not entirely reject the concept of capacity-based charges, the level of development of these proposals at this time is sufficiently vague that CBI cannot fully access their impact. However, CBI is concerned

[15] NARUC at Appendix C, p. 6; NASUCA at p. 50.

that these proposals have been designed primarily from the rural rate of return company perspective and may not adequately address the circumstances faced by other carriers.

The EPG and Home/PBT plans call for each carrier to set company-specific rates for this new capacity-based structure. Although the rate setting process is not clearly described in either plan, it appears that this would be done via individual company filings at the interstate level. It is not clear if these rates would be fixed indefinitely at the levels at which they are initially set or if they would be adjusted annually. Under the EPG plan, link charges would be set equal to the charge for the equivalent Special Access service. Would these rates change when Special Access rates change? When a carrier is granted pricing flexibility for Special Access, does this automatically apply to the link rates as well? How would the access tandem connection fee in the Home/PBT plan be set? Would carriers be required to submit cost studies for each tandem? Would the rate be fixed indefinitely?

Furthermore, switching to a capacity-based structure will require major billing system changes and probably network reconfiguration as carrier relationships change. CBI is concerned about the costs of implementing these changes. In addition, it appears that at least under the EPG plan, carriers would be required to maintain their existing billing systems indefinitely to accommodate common transport which would be maintained under the existing MOU pricing and to implement new systems to accommodate the new capacity-based structure. Perhaps rate of return companies will be able to recover these additional costs through their rates, however, price cap carriers operating in a competitive market will be disadvantaged as they will be forced to absorb the costs of this dual rate structure.

V. **Replacement Funding**

Most of the proposals allow ILECs to recover their intercarrier compensation net revenue loss via a combination of SLC increases and a universal service or other replacement fund. CBI believes it is imperative that carriers be given the opportunity to recover any reductions imposed by a new regime.[16] However, CBI has grave concerns about proposals that rely too heavily on universal service (or any other replacement fund that is generally assessed to all carriers and/or end-users) and, therefore, urges the Commission to adopt a plan that relies foremost on SLC increases, coupled with benchmarks to ensure comparability of rates between urban and rural areas, before further taxing the universal service fund.[17] In conjunction with ensuring that ILECs have the opportunity to recoup lost intercarrier revenues, several parties also reminded the Commission that it must recognize the ILEC carrier of last resort (COLR) obligations.[18]

SLC Increases

Most of the proposals allow for some type of SLC increase to offset the net reduction in intercarrier compensation revenue. However, there are numerous variations presented on how this should be accomplished. While all of the plans incorporate SLC caps, the level of those caps varies. For example, the EPG plan retains the existing cap, whereas the BellSouth plan increases the cap to $12.

Although the simplicity of the BellSouth proposal is attractive, CBI has doubts about whether requiring rural carriers to rely solely on SLC increases adequately

[16] See, Qwest at pp. 25-26.
[17] Some parties differentiate between universal service and a new intercarrier revenue replacement fund (e.g., EPG's Access Restructure Charge or Home/PBT's High Cost Connection Fund), however, for purposes of these comments CBI refers to any fund which relies on assessments against other carriers and/or end users for redistribution to other carriers as "universal service."
[18] CenturyTel at pp. 16-18, 31; Frontier at pp. 14-15; SBC at p. 5.

addresses the rural carrier impacts. However, regardless of how the rural impacts would ultimately be addressed, CBI believes that the SLC pricing flexibility component of the BellSouth proposal should be an essential piece of any plan adopted by the Commission. This type of flexibility is crucial in order to enable LECs to fairly and effectively compete. If the only avenue that ILECs are provided for recovering their lost revenue is an inflexible SLC increase, it will guarantee that ILECs will lose customers to competitive providers, without having the ability to respond. Such a result would deprive the ILECs of the opportunity to recover their lost intercarrier revenue. Moreover, as Qwest indicates, although the Commission must not guarantee the carriers' profitability, and that revenue losses caused by competitive inroads are not the Commission's responsibility, the Commission nonetheless must ensure that a new regulatory structure it adopts does not affirmatively impede the ability of affected carriers to recover those revenues from other sources.[19]

At the completely opposite end of the spectrum on alternative recovery options is the Public Utilities Commission of Ohio (PUCO), which posits that price cap LECs should absorb any net losses they will incur due to implementation of a new intercarrier compensation regime. The PUCO would require a carrier wishing to recover its losses via an alternative means to demonstrate to the state commission via an earnings review that an alternative recovery mechanism is necessary. CBI urges the Commission to reject the PUCO's recommendation and any other proposals that tie net revenue recovery to earnings reviews for price cap LECs. Such a concept is completely contrary to price cap regulation and the market-based approach to access reform that this Commission has

[19] Qwest at pp. 25-26.

espoused in the past.[20] Reinstituting earnings review for price cap carriers would amount to reregulation of these carriers and would impede the evolution of a fully competitive telecommunications marketplace. Furthermore, the Commission should not require a competitive showing before allowing carriers to increase SLCs. The SLC caps will ensure that carriers do not institute excessive SLC rates in areas without competition and in areas with competition, carriers will be further constrained by the presence of alternative providers. No measurement of levels of competition is necessary to ensure reasonable end-user rates.

Several of the plans tie the level of SLC increases allowed an individual carrier to a benchmark. CBI believes that this concept has merit as discussed more fully below.

Universal Service Funds/Benchmarks

As CBI indicated in its comments, it believes that the existing universal service support mechanisms are already overtaxed and, therefore, reliance on new subsidy programs to replace lost intercarrier compensation revenues should be minimized.[21] Moreover, CBI agrees with CTIA that any new program "should not subsidize artificially low end user rates for telecommunications services provided in high-cost areas."[22] Many other parties also appear cognizant of the need to restrict any new support only to carriers and states that have taken the initiative to bring their rates in line with the nationwide average rate. To that end, several proposals incorporate benchmarks into their replacement revenue schemes to minimize the size of the fund and ensure that consumers in all areas of the country are paying comparable rates.

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[20] See, for example, *Access Charge Reform*, CC Docket No. 96-262, First Report and Order, 12 FCC Rcd 15982 (1997) at 16094-95.
[21] Also see, Qwest at pp. 17-18; Time Warner Telecom at pp 47-48.
[22] CTIA at p. 39.

At this time, CBI is not prepared to endorse a specific benchmark proposal, however, it does support the benchmark concept and that the benchmark should incorporate the national average urban rate and state and federal SLCs. Obviously, the final plan would have to specify how this rate would be determined and by whom. At this time only Qwest has provided any level of specificity on how this rate should be set.[23]

In general, the benchmark proposals require a LEC to bring its rates up to the benchmark before it is eligible to receive replacement funding from the new fund. Some of the plans also tie SLC increases to the benchmark. A decision on the exact operation and application of the benchmark should not be made until the broader decisions are made on other components of the new regime.

To the extent that a replacement fund is necessary after application of the benchmark and SLC increases, CBI agrees that it should be funded via an assessment on a broad base, including voice over Internet protocol (VoIP) providers.[24]

VI. Unnecessary Complexity Should Be Avoided

One of the recurring observations made in the comments was that the Commission must be careful not to create a regime replete with new arbitrage opportunities. CBI recommends that the best way to avoid this pitfall is to keep the system simple. Arbitrage opportunities generally result from carriers trying to exploit exceptions to the general rules to their advantage. Thus, a system that is simple, without carve outs for special interests and that does not try to influence behavior in an attempt to encourage

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[23] Qwest at p. 12.

[24] Time Warner Telecom at p. 49; ICF at p. 31 and Appendix D at pp. 75-78; Rural Alliance at p. 163; CTIA at pp. 40 –41; TDS at p. 14.

investment in one type of technology over another will eliminate, or at least minimize, arbitrage. A simple system will also minimize compliance costs.

Regardless of the economic arguments that some parties offer in support of bill and keep, CBI believes that the complexity of the ICF proposal offsets any positive attributes the plan might offer. It appears that a great deal of the complexity built into the plan is the result of attempts to satisfy every possible concern raised by every ICF member.[25] CBI is concerned that this will create new arbitrage opportunities that cannot currently be anticipated. Furthermore, the network reconfiguration costs and general compliance costs of the ICF plan would be significant.

Of the proposals that are before the Commission at this time, CBI believes that the BellSouth proposal, with some further refinement,[26] is the most workable solution to the intercarrier compensation problem. It does not try to construct an entirely new system; instead, the BellSouth plan simply corrects the aspect of the current system that everyone has acknowledged is broken—namely, the application of different rates to the same or similar network functions. It does not require carriers to reconfigure their networks or to undertake massive changes to billing systems.

As virtually all parties acknowledge, any new plan should encourage carriers to negotiate mutually beneficial interconnection agreements. Since regulators are never going to be able to prescribe a system that will be as efficient as what will emerge in the competitive market in which carriers negotiate agreements, it seems ill-advised to adopt a plan that will force carriers to completely revamp systems, which in all likelihood will

[25] Rural Alliance at pp. 116-118.
[26] As noted above, refinements may be necessary to determine the appropriate terminating rate and to avoid excessive SLC increases in some rural areas.

not be practical in the world of negotiated agreements. Therefore, CBI recommends that any new system prescribed by the Commission entail as few network reconfiguration and billing system changes as possible. To adopt a completely new regime, such as required by ICF and the capacity-based plans, is not an efficient means of addressing the problems with the current system.[27] Furthermore, although CBI is not advocating complete deregulation of the intercarrier compensation system at this time, under no circumstances should a new system require greater regulatory oversight than the existing system.

VII. Interim Solutions

Given the extensive record in this proceeding and the lack of consensus around any particular new unified intercarrier compensation regime, it appears that it could be quite some time before a new regime is put in place. Therefore, CBI recommends that the Commission promptly address some of the most significant abuses of the existing system to ensure that during the interim period until a new regime is established, all parties who use the public switched telephone network (PSTN) pay for that use in compliance with the existing rules. Specifically, CBI concurs with the recommendations of several parties that such short-term solutions include:

- Clarification that interstate VoIP calls terminated to PSTN customers are subject to access charges;[28]
- Resolution of the virtual NXX issue by clarifying that traffic that originates and terminates in different calling areas is interexchange traffic, no matter what numbers are assigned to the end points;[29]
- Move ISP-bound traffic to bill and keep immediately;[30] and

[27] Verizon at pp. 29-30.
[28] SBC at pp. 18-23.
[29] Qwest at pp. 44-49.
[30] Qwest at pp. 56-58.

- Address the "phantom traffic" problem by adopting "truth-in-labeling" guidelines and establishing a process for challenging suspect traffic.[31]

VIII. Conclusion

No single plan has emerged that can serve as an adequate replacement for the existing intercarrier compensation system. All of the plans presented thus far need further development and/or refinement, and must be presented in a format that allows for thorough quantitative analysis by the Commission, state regulators, the industry and consumer groups before a comprehensive new system can be implemented. During the interim period until a new regime is established, the Commission should promptly take action to ensure that all users of the PSTN properly pay for their use of the network as required under the existing rules.

Respectfully submitted,

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[31] TDS at pp. 10-12; NARUC at p. 6.